



TOWN OF UPTON, MASSACHUSETTS

BOARD OF SELECTMEN

June 1, 2016

MEMO TO: Board of Selectmen
FROM: Blythe C. Robinson
Town Manager
RE: Proposed Upton Ridge Development – Water & Sewer Connection Fees

There is an undeveloped 53-acre parcel of land located on the Northbridge town line at the top of Hartford Avenue South. A number of years ago it was proposed to be a part of the Shining Rock development in both Upton and Northbridge, but the Upton portion was never built. When that did not go forward it was proposed to be a Chapter 40B project called "Noble Vista", which was a project of 120 townhouse style homes of which 25% would meet affordability guidelines. After a long process a permit was issued for this by the Zoning Board of Appeals, but the developer did not move forward. At present, Pulte Homes has approached the Town with a proposal to build a 139-unit condominium development that would be restricted to buyers over age 55, of which nine of the units would meet the guidelines for affordable housing. Pulte Homes, prior to submitting their full application to the Planning Board for consideration is requesting that the Board of Selectmen consider waiving all or part of the water and sewer connection fees for this project. The purpose of this memo is to outline the details of this project and request, and provide you with my recommendation that this request be denied.

The Town currently provides water on Hartford Avenue South up to the Rockdale Hill Circle subdivision. Water main was installed in Hartford Avenue South beyond this subdivision to the border with Northbridge so that eventually the towns could have an emergency interconnection and serve the development that was not built. That connection was never made, and this pipe has not been pressure tested and chlorinated. The Town does not provide any sewer service to Hartford Avenue South, however like the water main, sewer pipe was laid years ago, again from about Rockdale Hill Circle to the town line, but it was never used or connected.

Pulte Homes had approached the Town of Northbridge, seeking to obtain water and sewer from them because it is already available to the Shining Rock development. We have told Pulte that this is not acceptable to the Town of Upton for a number of reasons, the primary one being it has been the Town's position that our customer base needs to be expanded and we have sufficient water and sewer capacity to serve this new subdivision.. Thus, in order to provide the

BOARD OF SELECTMEN
James A. Brochu, Chairman
Robert J. Fleming
Gary Daugherty

TOWN MANAGER
Blythe C. Robinson
One Main Street • Suite 1 • Upton, MA 01568
T: 508.529.6901 • F: 508.529.1010

necessary utilities for this project, Pulte Homes plans to bring water and sewer services to this project. For water services this entails checking and treating the available water main to this development, and building a booster pump station on the property to ensure appropriate pressure and flow to the homes for both drinking water and fire suppression. This work is proposed to cost \$690,000. The work to provide sewer service is more involved, including running several different types of sewer main from approximately Rockdale Hill Circle down Hartford Avenue South, under the railroad crossing and connecting to the Town's system at Railroad Avenue. Pulte would also need to build a sewer lift station at the corner of Hartford Avenue South and Glen Avenue. This portion of the project is anticipated to cost almost \$1.7 million. A portion of this cost includes a fee imposed by the Grafton & Upton Railroad to install a sleeve for the sewer force main under the tracks. Pulte Homes has already reached an agreement with the railroad for that work and committed to the cost of doing so.

As you know, the Town's general bylaws call for a connection fee to be paid for both water and sewer services for all properties that want to join the system. The fee for a water connection is \$4,000/unit, and for sewer \$8,000. For this project to connect all 139 proposed units would total \$1,668,000. This fee is meant to cover the Town's costs to make the connection as well as relieve the burden on other system users for any improvements or upgrades to the utility that may be needed at present or in the future. Upton's fees are in line with other area systems, and are almost exactly the same as those imposed by Northbridge.

Given the cost to bring utilities to this site Pulte has requested that the Board consider waiving some or all of the connection fees. They indicate that the offsite costs are high in order to develop this land, and that they might need to reconsider the 139-unit development if they are required to pay these costs. In order to reach this recommendation, I developed the attached analysis of the budget for this project to determine whether or not the project was profitable with the connection fees in place. In order to do so I consulted with several residential developers, CMRPC, and several realtors. I have not reviewed this with Pulte and thus the actual figures may be different. With input from the various sources I consulted, in this current real estate market Pulte ought to achieve a profit margin of 18%. As part of the analysis, we also consulted CDM Smith, the Town's engineering firm to review the proposed design of the water and sewer improvements, and the budget for the work developed by Pulte. In their opinion, Pulte's budget is reasonable, as CDM's independent cost analysis determined that the price for this work was about 2% higher. Pulte may have a large enough amount of work on developments in Massachusetts to be able install the water and sewer infrastructure for less than a contractor hired just for the work in Upton.

In my opinion, this project is profitable for Pulte Homes with the requirement that they pay the connection fees. However, there are two things that I would suggest the Board could consider. First, Pulte has proposed nine "affordable" units, which can't be sold for more than \$190,000 to meet state requirements. As the cost for building these is no less than market rate units, it is not a profitable venture for any developer. I would suggest the Board consider waiving the fees for whatever number of units is finally determined to be built. Second, several sources have told me that a key factor for whether or not a project is profitable is the time it takes to sell the

units. If the developer must borrow money to finance the project and sales are sluggish, a project can become unprofitable. Should Pulte express such a concern, the Board could consider staggering the payments of connection fees over the life of the project so that Pulte can pay as the units are sold instead of as the permits are taken out for construction.

I look forward to discussing this with the Board at the meeting on June 7th.

Enclosures

Cc: Vincent Roy, DPW Director
Planning Board